

DEPARTMENT OF FINANCE & ADMINISTRATION – POLICY 04

Policy 04 – Recognition Versus Reduction of Amounts – Revenue, Expenditure, and Related Accounts – Definitions and Rules of Procedure

Component 01 – Basis for Authority

Section 01 – Applicable State Law

§04-01-101: Accounting Powers Granted By State Law –

According to T.C.A. 4-3-1007, the Department of Finance and Administration “shall have power and shall be required: 1) to maintain a system of general accounts embracing all the financial transactions of the state government; ... (10) to exercise the rights, powers and duties (except the power to collect taxes), conferred by law upon the comptroller of the treasury ... insofar as these provisions relate to financial administration and general accounting control of the state government, involving the keeping of general accounts, ... [and] (11) in consultation with the comptroller of the treasury, to establish guidelines for the evaluation by agencies of their systems of internal accounting and administrative control...”

Section 02 – General Rule and Applicability

§04-01-201: General Rule – All receipts of monies or monetary items, and all disbursements of monies or monetary items shall be recorded in the accounting records in accordance with this Policy Statement 04, except as expressly provided otherwise in the various statements of policy and procedure issued by the Department of Finance and Administration, or in the law of the State of Tennessee as cited in the Tennessee Code Annotated and its supplements.

§04-01-202: Applicability – All state departments, agencies, boards, commissions and committees, including colleges and universities, and any such other entity which receives all or a portion of its funding from or through the State of Tennessee, is hereby required to comply with this Policy Statement 04. For those entities which receive only a portion of its funding from the State of Tennessee, the requirements of this Policy Statement 04 apply only to the extent of reporting to the State of Tennessee for the use of those funds so received.

Section 03 – Effective Date and Transition

§04-01-301: Effective Date and Transition – This Policy Statement 04 shall become effective upon issuance, and shall be retroactively applied to the most recent fiscal year beginning (IE. most likely, Fiscal Year 1987-88).

Component 02 – Definitions and Rules of Procedure for the Recording of Revenue, Expenditure, and Related Accounts

Section 01 – Definitions and Rules of Procedure Applicable in the Recording of Transactions With Outside Vendors

§04-02-101: Definitions – The following definitions apply in the recording of transactions with outside vendors:

- A. **Revenue** – There are two classes of revenue which will potentially be received by those entities affected by this Policy Statement 04: non-departmental revenue and departmental revenue. Non-departmental revenue is defined as that revenue which initially provides direct benefit to a specific fund, and secondarily provides benefit to the entity collecting the revenue and all other entities classified within that fund.

General examples of non-departmental revenue include taxes, licenses, fees, fines, penalties, etc. A specific example of non-departmental revenue is the sales taxes collected by the Department of Revenue. The sales taxes are initially revenue to the General Fund; however, because the Department of Revenue is classified within the General Fund, the Department receives secondary benefit from the collection of the sales taxes, as does every other entity classified within the General Fund. All other revenue is departmental revenue. Some examples of departmental revenue are the monies collected by the Department of Revenue for the sales of statistical information to outside users, the proceeds received by the Department of Transportation for the sale or rent of real property, the monies collected by the Department of Conservation for the use of state park services, such as cabin rentals, etc.

- B. Expenditure – As a general rule, all expenditures made are departmental expenditures. No exceptions to this rule could be found. Therefore, throughout this Policy Statement 04, the terms “departmental expenditure” and “expenditure” should be considered as interchangeable.

§04-02-102: Rules of Procedure – The following rules of procedure apply in the recording of transactions with outside vendors:

- A. Departmental Revenue and Expenditure – All receipts of monies or monetary items which are properly classified as departmental revenue shall be recognized and recorded in the accounting records as such, and all disbursements of monies or monetary items shall be recognized and recorded in the accounting records as expenditure, unless a) the receipt of monies or monetary items is the return of and the direct result of an expenditure previously recorded (EG. overpayment of an invoice for the purchase of supplies), and b) such receipt occurs within the same fiscal year as the original disbursement, or unless a) the disbursement of monies or monetary items is the return of and the direct result of a departmental revenue previously recorded (EG. overcharge of rental fees for state park camping sites), and b) such disbursement occurs within the same fiscal year as the original receipt. Under such conditions, the receipt of monies or monetary items shall be recorded as a reduction of a previously recorded expenditure, and the disbursement of monies or monetary items shall be recorded as a reduction of a previously recorded revenue. However, note that only that portion of the receipt and/or disbursement which is directly related to the previously recorded departmental revenue and/or expenditure shall be recorded as a reduction of the previously recorded amount (EG. any interest received in addition to the refund amount and recorded as departmental revenue, and shall not be applied as a direct reduction of expenditure). If such receipt or disbursement which is the refund of a previously recorded expenditure or departmental revenue should occur in a fiscal year subsequent to the year in which the original transaction was recorded, such receipt or disbursement shall be recorded as directed by the Department of Finance and Administration, Division of Accounts, or in accordance with any applicable Policy Statement of the Department of Finance and Administration or applicable state law. All exceptions to the definitions outlined at §04-02-101 and these rules of procedure shall be subject to the express approval of the Department of Finance and Administration, Division of Accounts and Division of Budget, and the Office of the Comptroller of the Treasury.

- B. Non-Departmental Revenue – All non-departmental revenue shall be recorded in accordance to the rules of procedure as outlined at §04-02-102(A), except that no differentiation in treatment shall be made due to the occurrence of a refund paid or received in a fiscal year subsequent to the year in which the original revenue or expenditure recognition was recorded.

Component 03 – Approvals

Section 01 – Commissioner of Finance and Administration

§04-03-101: Approval of Commissioner of Finance and Administration – I, David Manning, hereby approve of this Policy Statement 04 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: _____ Date: _____
David L. Manning, Commissioner
Department of Finance and Administration

§04-03-102: Comments by the Commissioner of Finance and Administration – (Please make any comments you feel appropriate).

Section 02 – Comptroller of the Treasury

§04-03-201: Approval of the Comptroller of the Treasury – I, William R. Snodgrass, hereby approve of this Policy Statement 04 of the Department of Finance and Administration, and as such agree with and authorize actions necessary to implement its requirements.

Signed: _____ Date: _____
William R. Snodgrass, Comptroller
Office of the Comptroller of the Treasury

§04-03-202: Comments by Comptroller of the Treasury - (Please make any comments you feel appropriate).